



**MAYOR DICK MURPHY  
Science and Technology Commission  
MEETING MINUTES**

The San Diego Science and Technology Commission (SDS&TC) held a special meeting on May 19, 2004 hosted by Community and Economic Development located at 600 B Street, San Diego, CA 92101.

---

- I. **CALL TO ORDER/ROLL CALL:** Dr. Martha Dennis, SDS&TC Chair, called the meeting to order at 3:00 p.m. Members present: Dr. Hui Cai, Jon Cohen, Dr. Tom Dillon, Dr. Martha Dennis, Charles Holland, Tyler Orion, Craig Roberts, Maurice Wilson, and Julie Meier Wright. Members absent: Craig Andrews, Scott Corlett, Vicki Marion, Susan Myrland, Dr. Gail Naughton, Richard Polanco Jr., Scott Randall, and Carrie Stone. Others Present: Mr. Matthew Eary with San Diego Association of Governments and Ms. Conny Jamison, San Diego Data Processing Corporation's Board of Directors. Community & Economic Development Department staff members, Hank Cunningham, Toni Dillon, Tina Hines, Ana Maria Jaramillo, Jeff Kavar, and Mark Sullivan.
- II. **PUBLIC COMMENT:** Ms. Conny Jamison, Vice Chair of the Board of Directors for San Diego Data Processing Corporation (SDDPC) informed the Commission about the potential dissolution of her organization. Jamison stated that the Rules Committee determination after reviewing the City Manager's request for the dissolution of SDDPC was to consider an alternative Board structure with representatives from City IT&C and SDDPC to identify problems and solutions to present a final report to City Council.
- III. **APPROVAL OF MINUTES FOR:** February 18, 2004  
(MOTION/SECOND/Dillon/Wilson/UNANIMOUS).
- IV. **COMMUNITY AND ECONOMIC DEVELOPMENT UPDATE**
  - A. Community and Economic Development Budget: Jeff Kavar, Deputy Director, reported the City Manager's proposed City of San Diego FY 05 General Fund budget recommends approximately \$24M in budget reductions and the elimination of an estimated 193 positions from FY 04 levels. This has resulted in the loss of approx. \$5M and 11 positions to the Community and Economic Development Department. If adopted as proposed, the Governor's budget will translate into an additional \$22M in General Fund cuts, and \$5M in Redevelopment Agency cuts for each of the next two years. This amounts to a total of \$46.5M on budget reductions from FY 04 levels.

The proposed reduction in staff for the Economic Development Division is 9.4 positions and could significantly impact a wide range of services currently being provided including the

Commercial Revitalization, Office of Small Business, Special Projects and the Business Finance Programs. The Community Services Division would see the reduction of one analyst that works with the City's Social Services programs that would be eliminated and a significant reduction in General Fund contributions in the "6-to-6" Extended School Day Program.

Budget reductions were analyzed on core versus non-core services basis. Programs were not eliminated based on lack of need or performance.

Upon review and discussion of the FY 05 proposed Budget impacts the Commission moved to provide a letter of support for the Community and Economic Development Department to be part of the public record at the Department's June 14<sup>th</sup> Budget Hearing to be considered by policy makers. Kavar was asked to provide specific information on the Programs that were cut and how this reduction would impact services levels. He was also asked to identify if alternative services were available through other agencies or if the need these Programs filled would simply not be met (MOTION/SECOND/Dillon/Roberts/ UNANIMOUS). The draft letter would be drafted by the Chair and circulated to Commissioners for review.

- B. Presentation: *EmTek Fund Community Development Venture Capital for San Diego County*; Presenter - Mark Sullivan, Business Finance Manager, Community and Economic Development Division. Sullivan reported that the EmTek Fund is a county-wide \$2.5M public Revolving loan Fund (RLF) that was capitalized in Phase 1 by a US Department of Commerce Defense Conversion Grant with an initial \$1M (\$740K federal grant and a \$250K City grant match; Phase 2 capitalization was \$1.5 in California Reinvestment Act, bank funds. The EmTek client profile is that of early stage growth companies with a unique proprietary competitive advantage looking for equity financing. The company should be in production and have a product with market traction. EmTek investments require the entrepreneur to rise outside matching smart equity.

Sullivan stated that due to budget reductions and the need for the City to focus on core versus non-core services the position of Program Manager is being eliminated and the City is looking to "spin-out" this successful program.. He noted that the goal for the EmTek Fund since conception was to "spin" the program to the non-profit sector once it was self-sufficient; the budget crisis was just helping the bird out of the nest a little sooner than expected. The EmTek Program has closed 15 loans for \$2.5 M in investments and leveraged approximately \$18.5M in investment and has a weighted average IRR of 13%.

In closing Sullivan stated that in coming weeks the of City of San Diego would be announcing that the Department of Commerce had chosen San Diego Business Finance RLF Programs (including EmTek) as the RLF Program of the year.

In order to eliminate possible conflict of interest concerns, Sullivan recused himself from the meeting because Commissioners were interested in the particulars of "spinning out" the RLF

programs. Ms. Julie Myer Wright asked if any banks had expressed any interest in financing the non-profit agency's operating capital. Kavar responded that there had been limited interest; however, with EmTek Program the Phase 2 capitalized loans would become the banks to manage if an outside entity is not created and this could be cumbersome for the pool of banks.

Upon review and discussion of the details possible business structure and capitalization to support the RLF Program until profitable, the Commission motioned that Kavar provide the operating projections for two years of operations; annual financial statements and other information that could be used in modeling a business plan for the non-profit RLF agency. In addition, the Commission motioned to include specific mention of the successful Business Finance Program in its letter of support and asked that the City reconsider the elimination of this Program because it is self supporting (MOTION/SECOND/Wright/Dillon/UNANIMOUS).

## V. STEP FORUM

- A. Event and Follow-up Recommendations: Ms Julie Meier Wright stated that the purpose of the forum was to share information on the impact of science and technology industries on the region's economy, discuss opportunities and impediments, and identify industry priorities. Ms. Meier Wright cited that forum results could be summarized into the following concepts: 1) Talent Squeeze, 2) Transportation Constraints, 3) Business Constraints, and 4) Regional perception of the Science and Technology. These forum concepts will be further detailed in Doug Henton's final report. After discussion of Ms. Meier Wright's comments, it was decided that the focus of our June 16<sup>th</sup> meeting will be Henton's report and the future presentation of this report to the City Council's Rules Committee.
- B. Science and Technology: *The Key to Creating Economic Prosperity Presentation:* Due to Meeting time constraints, Mr. Matthew Eary will give his presentation at our June 16<sup>th</sup> meeting.

VII. UPCOMING MEETINGS: The next regular meeting will be June 16, 2004 from 3 P.M to 5P.M.

VIII. ADJOURN: There being no further business of the Commission; this meeting was adjourned at 5:00 P.M.